

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

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SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 15

ATTACHMENT(S): 3

ACTION: \_\_\_\_\_

DATE OF MEETING: April 5, 2000

INFORMATION: X

PRESENTER(S): Mr. Mitchell

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The following is a summary of the developments in the financial markets that have occurred between March 1, 2000 and March 21, 2000.

1. The yield on the 30-year U.S. Treasury bond has decreased from 6.14% to 6.01%. This decrease has been exaggerated by technical factors surrounding speculation about the U.S. Treasury Department repurchasing U.S. Treasury notes and bonds.
2. The market level of the S&P 500 Index has increased from 1366 to 1462.
3. The U.S. dollar has weakened compared to the euro (.96 to .97) and to the yen (109 to 106) while strengthening compared pound sterling (1.58 to 1.57).
4. The Federal Reserve Board of Governors held their meeting on March 21, 2000. The Federal Reserve increased the targeted Federal Funds rate by  $\frac{1}{4}$  of one percent to 6.00%.
5. After reaching an eight-year high of more than \$34 per barrel on March 7<sup>th</sup>, the price of oil has started to decline closing at \$29 on March 21st.

California State Teachers' Retirement System  
Investment Summary  
For the Period ended February 29, 2000

Attachment I  
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Investment Summary - Market Value (amounts in millions)												
Asset	This Month		One Year Ago		Three Years Ago		Five Years Ago					
Domestic Equity	\$	46,149	42.3%	\$	40,969	44.4%	\$	23,729	34.5%	\$	16,950	33.5%
International Equity		29,144	26.7%		19,627	21.3%		13,113	19.0%		5,517	10.9%
Fixed Income		25,972	23.8%		25,419	27.6%		25,153	36.5%		21,713	42.9%
Global Asset Allocators		N/A	N/A		1,197	1.3%		2,605	3.8%		1,684	3.3%
Private Equity		6,791	6.2%		4,469	4.8%		3,077	4.5%		2,118	4.2%
Liquidity		1,048	1.0%		570	0.6%		1,198	1.7%		2,666	5.3%
Total Market Value	\$	109,104	100.0%	\$	92,251	100.0%	\$	68,875	100.0%	\$	50,648	100.0%

<b>Performance Returns for Major Asset Categories</b>						
Asset	Month	Fiscal YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity	-4.44	5.14	13.68	21.12	24.75	17.70
Int'l Equity	-5.79	16.42	28.19	14.87	14.07	N/A
Fixed Income	-0.05	-0.46	-5.01	6.20	8.35	8.68
Real Estate	N/A	N/A	12.60	17.38	14.97	6.31
Alternative Investments	N/A	N/A	34.02	27.90	28.46	18.39
Liquidity	0.52	3.47	5.81	5.99	6.01	5.87
Total Fund	-3.42	6.91	12.31	15.42	16.26	12.74
<b>Indices</b>						
Domestic Equity Custom	-3.92	4.31	12.35	21.66	25.42	17.97
MSCI AC ex US	-5.43	15.54	23.93	13.78	12.18	7.11
Salomon LPF	-0.07	-0.52	-4.89	5.67	7.93	8.58
Real Estate Custom	N/A	N/A	11.56	13.12	11.25	5.66
T-Bill	0.44	2.90	4.80	5.01	5.20	5.03
Consumer Price Index	0.30	1.58	2.76	2.00	2.35	2.86
Wilshire 5000	-4.15	5.86	14.23	22.13	25.45	17.98
Russell 3000	-3.92	4.31	12.35	21.66	25.39	18.10
MSCI EAFE	-6.35	14.36	19.25	14.59	12.23	6.72
LB Gov / Corp	-0.03	0.09	-2.87	5.49	7.19	7.80

<b>Allocations of Cash and Reallocations of Assets</b> <i>(does not include changes in the market value)</i>		
	Current Month	Past 12 Months
<b>Cash Inflow:</b>		
Contributions & misc receipts	\$ 285.0	\$ 3,874.3
Less: Benefits & misc. payments	\$ (300.8)	\$ (3,619.6)
Investment Income	\$ 298.6	\$ 2,983.1
Total Cash Inflow	\$ 282.8	\$ 3,237.8
<b>Cash Allocation:</b>		
Domestic Equity	\$ 108.3	\$ (2,214.8)
International Equity	\$ (289.9)	\$ 1,259.8
Fixed Income	\$ 466.1	\$ 2,306.9
Global Asset Allocators	\$ -	\$ (64.0)
Private Equity	\$ 136.9	\$ 1,532.2
Liquidity	\$ (138.6)	\$ 417.7
Total Cash Allocation	\$ 282.8	\$ 3,237.8

<i>Asset Allocation Percentage</i>				
Assets	Actual	Target	Difference	Range
Public Equity	66.0%	63.0%	3.0%	57 - 69
Public Fixed Income	24.8%	27.0%	(2.2%)	23 - 32
Private Equity	9.3%	10.0%	(0.7%)	8 - 12
Total Investment Assets	100.0%	100.0%		
<i>Which can be compared to the strategic targets .....</i>				
Active - Domestic Equity	8.2%	7.6%	0.6%	6 - 9
Passive - Domestic Equity	34.1%	30.4%	3.7%	29 - 41
Allocated Not Funded	-3.0%	0.0%	(3.0%)	
TOTAL DOMESTIC EQUITY	39.3%	38.0%	1.3%	35 - 41
Active - International Equity	11.1%	12.5%	(1.4%)	11 - 14
Passive - International Equity	15.6%	12.5%	3.1%	11 - 14
TOTAL NON-US EQUITY	26.7%	25.0%	1.7%	22 - 28
<b>TOTAL PUBLIC EQUITY</b>	<b>66.0%</b>	<b>63.0%</b>	<b>3.0%</b>	<b>57 - 69</b>
<i>Real Estate</i>	2.9%	5.0%	(2.1%)	
<i>Alternative Investments</i>	3.4%	5.0%	(1.6%)	
Allocated Not Funded	3.0%	0.0%	3.0%	
<b>TOTAL PRIVATE EQUITY</b>	<b>9.3%</b>	<b>10.0%</b>	<b>(0.7%)</b>	<b>8 - 12</b>
Passive - Domestic Fixed Income	22.7%	26.0%	(3.3%)	23 - 29
Active - Other Fixed Income	1.1%	0.0%	1.1%	
TOTAL FIXED INCOME	23.8%	26.0%	(2.2%)	23 - 29
Liquidity	1.0%	1.0%	(0.0%)	0 - 3
<b>TOTAL FIXED &amp; LIQUIDITY</b>	<b>24.8%</b>	<b>27.0%</b>	<b>(2.2%)</b>	<b>23 - 32</b>
TOTAL INVESTMENT ASSETS	100.0%	100.0%		

**California State Teachers' Retirement System**  
**Off Balance Sheet Transactions**  
For the period ended February 29, 2000

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<i>Currency Hedging - Market Value (amounts in millions)</i>					
Managers	Pacific Basin		European		Total
Active International	\$4,209.48	-6.3%	\$ 6,964.94	0.0%	\$11,174.41 -2.4%
Passive International	\$5,185.60	-33.2%	\$ 9,771.40	0.0%	\$14,957.00 -11.5%
* Does not include emerging market securities, Canadian stocks, cash or accruals.					

<i>Currency Realized Gains/(Losses) (amounts in millions)</i>			
Managers	Currency Realized Gains/(Losses)		
	1 Month	1 Year	Since Inception
Active International	\$1.98	(\$17.67)	\$74.33
Passive International	(\$2.57)	(\$51.67)	\$348.12

<i>Securities Lending Income</i>			
Asset	Current Fiscal Year		Prior Fiscal Year
	7/99 - 02/00	vs.	7/98 - 02/99
Domestic Equity	\$8,829,279		\$8,294,819
International Equity	\$17,909,552		\$20,117,096
US Treasury	\$9,852,532		\$12,586,133
Other Fixed Income Securities	\$512,881		\$1,368,669
Total Income	<u>\$37,104,244</u>		<u>\$42,366,717</u>

<i>Securities Lending (On-Loan/Collateral Summary)</i>			
Asset	Securities On-Loan	Collateral Valuation	Percent
Domestic Equity	\$3,293,666,674	\$3,369,510,212	102%
International Equity	\$6,219,145,041	\$6,536,593,602	105%
US Treasury	\$5,178,092,135	\$5,285,897,530	102%
Other Fixed Income Securities	\$301,642,157	\$308,621,590	102%
Total Value	<u>\$14,992,546,006</u>	<u>\$15,500,622,934</u>	103%

# California State Teachers' Retirement System

Attachment 2

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## Monthly Investment Summary

	Market Value		Market Value		Market Value	
	01/31/2000	Market %	02/29/2000	Market %	Difference	% Diff.
<b><i>Liquidity</i></b>						
Cash Allocation	1,044,142,478		914,979,706		(129,162,771)	
US Cash Equitization	137,960,827		135,777,846		(2,182,981)	
<b>Total Liquidity</b>	1,182,103,304	1.10%	1,050,757,552	0.96%	(131,345,752)	(0.14%)
<b><i>Domestic Equity</i></b>						
<b>Active</b>						
Ariel Capital	268,781,810		251,470,834		(17,310,976)	
Bank of America	487,886,597		486,572,520		(1,314,077)	
BGI - Enhanced	511,662,469		502,840,609		(8,821,860)	
Brinson Partners	479,067,767		427,938,165		(51,129,602)	
Brown Capital Management	448,842,918		446,357,491		(2,485,426)	
Delaware Investment Adv	401,673,555		364,529,165		(37,144,390)	
Delphi Management, Inc	165,365,062		169,462,529		4,097,466	
Denver Investment Advisors	790,997,067		997,479,631		206,482,564	
DSI International Management	715,240,722		705,120,666		(10,120,056)	
First Quadrant	478,315,783		468,310,583		(10,005,201)	
Mellon Capital Management	643,148,203		625,375,875		(17,772,329)	
NCM Capital Management	678,480,120		722,467,079		43,986,958	
Putnam Investments	591,214,117		660,634,584		69,420,467	
Sasco Capital	513,487,977		479,188,632		(34,299,345)	
SSgA - Enhanced	702,943,259		693,494,895		(9,448,364)	
TCW Asset Manangement Co	687,442,310		889,621,975		202,179,665	
<b>Passive</b>						
BGI Extended Market Index	6,499,838,776		7,363,962,084		864,123,308	
BGI S&P 500 Index	16,230,442,870		15,962,131,080		(268,311,790)	
STRS S&P 500 Index	14,165,328,319		13,931,679,300		(233,649,019)	
<b>Transition</b>						
STRS Domestic	137,038		1		(137,037)	
<b>Total Domestic Equity</b>	45,460,296,740	42.49%	46,148,637,696	42.30%	688,340,956	(0.20%)
<b><i>International Equity</i></b>						
<b>Active</b>						
Bank of Ireland Asset Management	1,031,422,750		1,071,681,339		40,258,590	
Battery March Financial Mgmt Inc.	336,100,119		340,802,178		4,702,059	
Blackrock, Inc.	224,146,021		216,401,618		(7,744,403)	
Brinson Partners Non-USEQ	499,128,936		503,040,495		3,911,559	
Capital Guardian Trust	1,727,936,166		1,821,420,563		93,484,397	
Delaware Int'l Advisors Inc.	308,941,776		307,870,488		(1,071,288)	
Fidelity Management Co.	1		299,318,280		299,318,279	
Fiduciary Trust	862,260,777		947,690,595		85,429,818	
Lazard Freres	956,977,015		962,796,998		5,819,983	
Marvin & Palmer Assoc, Inc.	500,725,415		576,981,226		76,255,811	

# California State Teachers' Retirement System

Attachment 2

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## Monthly Investment Summary

	Market Value		Market Value		Market Value	
	01/31/2000	Market %	02/29/2000	Market %	Difference	% Diff.
Morgan Stanley	915,944,268		941,711,876		25,767,607	
Newport Pacific Mgmt	433,968,769		432,353,841		(1,614,928)	
Nicholas-Applegate Capital Mgmt	532,657,438		596,179,853		63,522,415	
Oechsle International	1,259,819,744		1,356,843,884		97,024,140	
Schroder Capital	744,510,730		719,772,326		(24,738,404)	
Scudder, Stevens & Clark	980,408,221		1,008,707,533		28,299,312	
<b>Passive</b>						
BGI - Europe	9,743,362,740		9,883,350,644		139,987,904	
BGI - Pacific	5,512,058,497		5,192,069,984		(319,988,513)	
SSgA Emerging Market Index	1,998,916,815		1,964,962,112		(33,954,703)	
<b>Transition</b>						
STRS International	200,774		191,294		(9,481)	
<b>Total International Equity</b>	28,569,486,972	26.70%	29,144,147,125	26.71%	574,660,154	0.01%
<b>Fixed Income</b>						
Corporate Bond Index	8,077,227,884		8,124,402,461		47,174,578	
Mortgage Backed Security Index	7,681,487,533		8,172,835,840		491,348,308	
Mortgage Loan	444,243,257		458,815,604		14,572,347	
US Treasury & Agency Index	9,116,706,444		9,215,823,306		99,116,861	
<b>Total Fixed Income</b>	25,319,665,117	23.67%	25,971,877,211	23.80%	652,212,094	0.14%
<b>Real Estate</b>						
CB Richard Ellis	1,181,869,784		1,182,069,943		200,159	
Clarion Partners, LLC	90,415,353		90,384,551		(30,803)	
Heitman Capital Management	28,805,157		28,859,307		54,150	
Lend Lease	936,899,670		937,408,993		509,323	
MIG Realty Advisors	188,542,303		188,465,439		(76,864)	
Sentinel Realty Advisors	17,617,133		17,617,418		285	
Special Situations	467,061,404		455,837,888		(11,223,517)	
SSR Realty Advisors	216,721,532		216,756,458		34,926	
<b>Total Real Estate</b>	3,127,932,336	2.92%	3,117,399,996	2.86%	(10,532,339)	(0.07%)
<b>Alternative Investments</b>						
Limited Partnerships	3,323,710,253		3,672,038,239		348,327,986	
<b>Total Alternative Investments</b>	3,323,710,253	3.11%	3,672,038,239	3.37%	348,327,986	0.26%
<b>Grand Total</b>	<u>106,983,194,722</u>	100.00%	<u>109,104,857,820</u>	100.00%	<u>2,121,663,098</u>	

### PLEASE NOTE:

All Figures Include Accruals

The Information contained in this report is UNAUDITED

Member Home Loan Securitization Principal Balance as of 2/29/2000 is \$129,108,654

The Internally Managed Cash Collateral Portfolio is NOT included above.

The Net Asset Value as of 2/29/2000 is \$ 2,680,652,120

**California State Teachers' Retirement System**  
**Internal S&P 500 Indexed Portfolio Return**

The California State Teachers' Retirement System's internal S&P 500 indexed portfolio (Portfolio) was \$13,931,679,300 as of February 29, 2000. The performance objective of the Portfolio is to closely track the return of the S&P 500 Index. Table 1 shows the relative performance of the Portfolio. For the 12 month period ending February 29, 2000, the Portfolio's outperformance versus the benchmark was 0.090% (9.0 basis points).

**Table 1: S&P 500 Performance**

<b>Period</b>	<b>Portfolio Total Return</b>	<b>Index Total Return</b>	<b>Variance</b>
3/31/98 – 12/31/98	12.892	12.975	-0.083
12/31/98 – 12/31/99	21.111	20.987	+0.124
12/31/99 – 2/29/00	-6.819	-6.822	+0.003
1 Year	11.838	11.748	+0.090

Portfolio return calculated by State Street Bank Analytics.